

THE SUCCESS OF RETAIL IN UNDER-SERVED MARKETS

Attracting and then retaining retailers are the keys to financial success in underserved markets.

By Cary J. Lefton

Plaza Del Valle is a 14-acre, 250,000-square-foot retail center in Panorama City. It enjoys a 96 percent occupancy rate, and is home to national name-brand retailers like Wells Fargo, Dennys, IHOP and Sprint, who operate alongside first-time small business owners running barber shops, upholstery services and an internet café, among others. This bustling atmosphere wasn't always the case, however. The center was only 40 percent occupied when it was purchased by Agora Realty & Management in 1999. It was also situated in a troubled, crime-ridden location.

Turning a property like this around to ensure it is a financially sustainable enterprise takes a vast understanding of the formula necessary for attracting and retaining retailers in underserved markets.

Some of the initial factors for investment consideration are dense population, high visibility, access to public transportation and an involved community. But that is just the starting point.

Design is Important

Zocalito of Pacoima is one such example. The firm converted exist-

ing, empty buildings situated at a high-traffic intersection into a new 18,000-square-foot retail concept designed to cater to first-time entrepreneurs with small retail shops and restaurants ranging from 265 square feet to 2,500 square feet. From the beginning, it was important to create a quality community experience similar to any traditional retail center. Architecture firm Perkowitz & Ruth revitalized the retail strip by providing a sense of place and community through clean lines, shade trees and outdoor seating, all in a walkable environment.

Agora invested an additional \$9 million when it purchased Plaza Del Valle to completely revamp the center. The focus was to accommodate the needs of the diverse, local 75,000-plus population that contained a Latino majority, a significant Filipino population, and African-American, Anglo and Armenian minorities. That effort included the creation of 15-by-20 retail stalls and paseos, sourced artwork from central Mexico and a large event space that accommodates up to 300 guests for wedding receptions and quinceañeras.

Engaging the community

Agora has continued to reinvest in Plaza Del Valle by adding a children's playground, office space for local non-profit associations and a large plaza for community events. Traffic-generating programming at the center is also important. Plaza Del Valle is as active as a regional mall with health fairs, holiday celebrations and more. This is important because many mom-and-pop operators lack the marketing budget of a national tenant. That's where the owner can step in to provide creative, traffic-generating promotions.

More than Hands-On

The smaller 265-square-foot shops at Zocalito can accommodate first-

time entrepreneurs who are able to open a business at a high-traffic location that is normally reserved for regional and national tenants. When the model works, it's a win-win for both the owner and the tenant. At Plaza Del Valle, for example, a small pet shop that first opened in a 300-square-foot micro site has been able to grow its customer base to eventually boast a standard inline 3,000-square foot space.

Achieving Successful Co-Tenancy.

The goal is to ultimately attract the national credit tenants that may have previously overlooked the location. Widening the exclusivity is one way to make sure the co-tenancy works. It ensures the larger credit tenant won't feel that the smaller tenant may impact their business. The larger national tenant oftentimes has a list of items that can't be sold by other tenants. The standards are modified so the exclusives only apply to a tenant larger than 500 square feet or at a distance greater than 300 feet. In the end, it's all about creating a platform where both the national store and small business can survive.

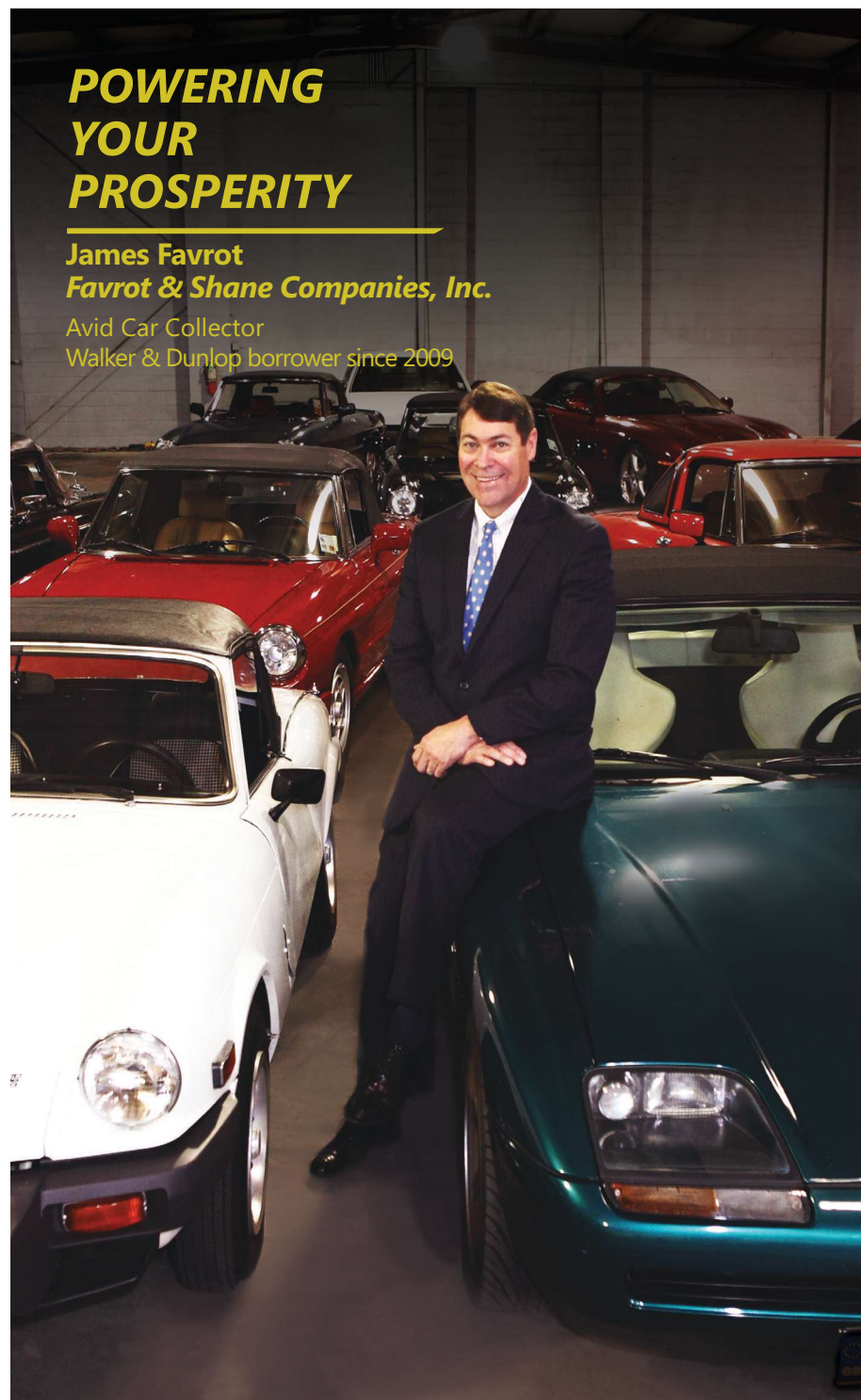
The Model Works

Plaza Del Valle had one national tenant when the center was first re-opened, but the mix of current national name brands and local mom-and-pop entrepreneurs is now a benefit to the tenants and, more importantly, to the local community. Plaza del Valle has evolved into a proven, financially sustainable model that is mutually beneficial to all stakeholders involved.



Lefton

Cary J. Lefton, CEO, Agora Realty & Management in Sherman Oaks, Calif.



POWERING YOUR PROSPERITY

James Favrot
Favrot & Shane Companies, Inc.

Avid Car Collector
Walker & Dunlop borrower since 2009

Walker & Dunlop
Commercial Real Estate Finance

www.walkeranddunlop.com

California loans will be made pursuant to a Finance Lenders Law License from the Department of Business Oversight.



Since its debut in 2014, Plaza del Valle has been embraced by the surrounding Panorama City community, creating a place where neighbors are buying from neighbors.